LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7105
BILL NUMBER: SB 381

NOTE PREPARED: Jan 6, 2006
BILL AMENDED:

SUBJECT: Repayment of Student Loans.

FIRST AUTHOR: Sen. Rogers
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: <u>X</u> GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that an individual who: (1) obtained student loans to pay for postsecondary education from an institution located in Indiana; and (2) resides and works in Indiana after graduating from a postsecondary institution; may enter into an agreement with the State Student Assistance Commission (SSAC) to have the Commission assume the repayment of 25% of the principal and interest due on the student loan each year the individual resides and works in Indiana. It limits the repayment program to those students who graduate after June 30, 2006.

Effective Date: July 1, 2006.

Explanation of State Expenditures: The bill requires the SSAC to enter into an agreement to pay 25% of an employee's annual student loans payment while working in Indiana if the student graduated from an Indiana college or university. It is estimated that the loan repayments would cost the state up to $15.7 M for FY 2007 and $31.7 M for FY 2008. The amount of the loan repayments would continue to grow incrementally for 10 years as newly employed cohorts enter the program. The State Student Assistance Commission would also have increased administrative expenses in making the loan repayments. If the administrative costs were 1% of the amount of the loan repayments, then the administrative cost would be about $157,000 the first year.

No appropriation is made or source of funding is identified in the bill to cover these payments.

Background: The average debt of a student upon graduation is $19,202. Assuming the debt is repaid over 10 years and the interest rate on the loan is 5.3%, then the annual payments would be $2,478. The state would pay 25% of the $2,478, or approximately $619 per employee with an outstanding student loan.

The loan repayment estimate assumes that 60% of graduates from Indiana's public and private colleges and universities remain in Indiana. This is based on the Indiana Fiscal Policy Institute's (IFPI) study on graduate migration which indicated that within three to six years of graduation from Indiana colleges and universities, approximately 60% of graduates remain in Indiana. Three different graduation cohorts included in the study exhibited retention rates ranging from 59.8% to 67.1%. The number of potential repayment claimers from each graduation year is derived based on the observed 60% retention rate, and assuming that roughly 65% of that population will be employed. This latter statistic is based on employment estimates from Census 2000.

Degree conferral totals at Indiana higher education institutions are estimated on national projections by the U.S. Department of Education. The impact is based on Indiana residents who attended a higher education institution in Indiana and who have a student loan and work in Indiana would qualify for the program.

The following table shows the estimated impact per year as new cohorts come onto the program.

Fiscal Year	Estimated Payments
2007	$15.7 M
2008	$31.7 M
2009	$47.8 M
2010	$64.1 M
2011	$80.7 M
2012	$97.4 M
2013	$114.4 M
2014	$131.5 M

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Student Assistance Commission.

Local Agencies Affected:

Information Sources: Indiana Fiscal Policy Institute, *Graduate Migration from Indiana's Postsecondary Institutions*, March 1999; U.S. Department of Education, National Center for Education Statistics: Survey on "Degrees and Other Formal Awards Conferred." Integrated Postsecondary Education System (IPEDS).

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